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Livestock and Products

Semi-Annual Report

2008

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Report Highlights:
Because of higher prices, and marginal economic performance, the rate of growth in meat consumption that Mexico has experienced lately is expected to decelerate. Though pork prices have fallen considerably this past year, pork consumption remains basically the same as the past two years. Many middle income and lower income consumers are opting to switch to poultry products as their protein source in the face of rapidly increasing meat prices. Live cattle exports to the United States continue to climb, as do dairy cattle imports from the United States.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
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[MX]

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Executive Summary

Live Cattle & Beef: Mexican cattle inventories are expected to decline slightly in calendar year 2008 due in part to increasing exports to the United States and the need for feedlot operators to reduce inventories due to increasing feed costs. Cattle slaughter and cattle export figures are forecast slightly higher in 2008. Beef production is forecast very slightly higher, along with total consumption and imports. Mexico is likely to continue importing grain-fed beef from the United States to meet growing demand from the hotel and restaurant sectors as well as from the general population.

Live Hogs & Pork: Post's 2008 forecast figures for swine and pork have been revised slightly from the previous report (MX7066). Total imports are expected to be down considerably, domestic slaughter will remain consistent with past years, and ending inventories have been revised slightly downward. Mexico's imports of U.S. hogs are forecast to reach 150,000 head in 2008, lower than the previous estimate of 175,000 head, though still slightly higher than the 2007 end of year estimate of 125,000. Pork production is forecast to increase in 2008 by roughly eight percent. Consumption is expected to increase by three percent, and imports are expected to decline by nearly 10 percent. Mexico's pork exports are forecast to continue growing in 2008 as exporters take advantage of the Japan-Mexico free trade agreement and other opportunities in Asia.

SECTION II. STATISTICAL TABLES

PSD Table									
Country	Mexico								
Commodity	Animal Numbers, Cattle			(1000 HEAD)(PERCENT)					
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	01/2006			01/2007			01/2008		
Total Cattle Beg. Stks	26,949	26,949	26,949	26,348	26,644	26,644	26,173	26,519	26,489
Dairy Cows Beg. Stocks	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Beef Cows Beg. Stocks	11,700	11,700	11,700	11,800	11,800	11,800	11,900	11,900	11,900
Production (Calf Crop)	7,700	7,950	7,950	8,000	8,200	8,000	8,250	8,350	8,250
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	72	72	72	100	100	70	95	95	90
Total Imports	72	72	72	100	100	70	95	95	90
Total Supply	34,721	34,971	34,971	34,448	34,944	34,714	34,518	34,964	34,829
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	1,260	1,275	1,275	1,150	1,300	1,100	1,225	1,200	1,200
Total Exports	1,260	1,275	1,275	1,150	1,300	1,100	1,225	1,200	1,200
Cow Slaughter	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Calf Slaughter	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Other Slaughter	3,300	3,300	3,300	3,400	3,400	3,400	3,500	3,500	3,500
Total Slaughter	6,500	6,500	6,500	6,600	6,600	6,600	6,700	6,700	6,700
Loss	613	552	552	525	525	525	525	525	525
Ending Inventories	26,348	26,644	26,644	26,173	26,519	26,489	26,068	26,539	26,404
Total Distribution	34,721	34,971	34,971	34,448	34,944	34,714	34,518	34,964	34,829

PSD Table									
Country	Mexico								
Commodity	Meat, Beef and Veal			(1000 HEAD)(1000 MT CWE)(HEAD)					
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	01/2006			01/2007			01/2008		
Slaughter (Reference)	6,500	6,500	6,500	6,600	6,600	6,600	6,700	6,700	6,700
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	2,175	2,175	2,175	2,200	2,200	2,200	2,215	2,215	2,215
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	383	365	383	400	375	400	410	410	410
Total Imports	383	365	383	400	375	400	410	410	410
Total Supply	2,558	2,540	2,558	2,600	2,575	2,600	2,625	2,625	2,625
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	39	35	39	45	40	45	45	45	45
Total Exports	39	35	39	45	40	45	45	45	45
Human Dom. Consumption	2,499	2,485	2,499	2,535	2,515	2,535	2,560	2,560	2,560
Other Use, Losses	20	20	20	20	20	20	20	20	20
Total Dom. Consumption	2,519	2,505	2,519	2,555	2,535	2,555	2,580	2,580	2,580
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	2,558	2,540	2,558	2,600	2,575	2,600	2,625	2,625	2,625

PSD Table									
Country	Mexico								
Commodity	Animal Numbers, Swine			(1000 HEAD)(PERCENT)					
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	01/2006			01/2007			01/2008		
Total Beginning Stocks	10,125	10,125	10,125	10,250	10,250	10,250	10,410	10,410	10,410
Sow Beginning Stocks	950	950	950	955	955	955	960	960	960
Production (Pig Crop)	15,700	15,700	15,700	15,800	15,800	15,800	15,900	15,900	15,900
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	196	196	196	125	175	125	150	175	150
Total Imports	196	196	196	125	175	125	150	175	150
Total Supply	26,021	26,021	26,021	26,175	26,225	26,175	26,460	26,485	26,460
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0	0	0	0
Sow Slaughter	15	15	15	15	15	15	15	15	15
Other Slaughter	14,785	14,785	14,785	14,825	14,825	14,825	15,135	14,835	14,835
Total Slaughter	14,800	14,800	14,800	14,840	14,840	14,840	15,150	14,850	14,850
Loss	971	971	971	925	975	925	950	975	950
Ending Inventories	10,250	10,250	10,250	10,410	10,410	10,410	10,360	10,660	10,660
Total Distribution	26,021	26,021	26,021	26,175	26,225	26,175	26,460	26,485	26,460

PSD Table									
Country	Mexico								
Commodity	**Meat, Swine**			(1000 HEAD)(1000 MT CWE)					
	2006 Revised			**2007 Estimate**			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	**Post Estimate New**
Market Year Begin	**01/2006**			**01/2007**			01/2008		
Slaughter (Reference)	14,800	14,800	14,800	14,840	14,840	14,840	15,150	14,850	**14,850**
Beginning Stocks	0	0	0	0	0	0	0	0	**0**
Production	1,200	1,200	1,108	1,200	1,190	1,150	1,250	1,250	**1,250**
Intra-EU Imports	0	0	0	0	0	0	0	0	**0**
Other Imports	446	446	429	435	460	422	410	430	**380**
Total Imports	446	446	429	435	460	422	410	430	**380**
Total Supply	1,646	1,646	1,537	1,635	1,650	1,572	1,660	1,680	**1,630**
Intra EU Exports	0	0	0	0	0	0	0	0	**0**
Other Exports	66	66	66	70	70	70	80	80	**80**
Total Exports	66	66	66	70	70	70	80	80	**80**
Human Dom. Consumption	1,580	1,580	1,471	1,565	1,580	1,502	1,580	1,600	**1,550**
Other Use, Losses	0	0	0	0	0	0	0	0	**0**
Total Dom. Consumption	1,580	1,580	1,471	1,565	1,580	1,502	1,580	1,600	**1,550**
Ending Stocks	0	0	0	0	0	0	0	0	**0**
Total Distribution	**1,646**	**1,646**	**1,537**	**1,635**	**1,650**	**1,572**	**1,660**	**1,680**	**1,630**

Trade Matrix

Animal Numbers, CATTLE					**Units: Head**
Exports to:	2006	2007*	Imports from:	2006	2007*
U.S.	1,570,146	816,734	U.S.	806	5,997
Other			Other		
El Salvador	56	0	Australia	11,290	6,200
Colombia	32	0	Nicaragua	30,536	28,450
Belize	76	272	New Zealand	25,134	18,734
Nicaragua	0	124	Costa Rica	2,075	0
Total of other	164	241	Total of other	69,035	53,384
Other not listed	228	127	Other not listed	13	0
Grand Total	1,570,538	817,170	Grand Total	69,854	59,381

Meat, Beef & Veal					**Units: Metric Tons**
Exports to:	2006	2007*	Imports from:	2006	2007*
U.S.	16,673	12,273	U.S.	223,039	194,696
Other			Other		
So. Korea	228	2,518	New Zealand	4,886	2,605
Japan	1,128	6,067	Canada	33,771	31,237
Puerto Rico	0	2,437	Australia	2,546	2,527
Costa Rica	0	538	Chile	3,509	2,115
Total of other	1,357	11,559	Total of other	46,098	40,287
Other not listed	10	116	Other not listed	416	6,656
Grand Total	18,030	23,949	Grand Total	269,553	239,835

Animal Numbers, SWINE					Units: Head
Exports to:	2006	2007*	Imports from:	2006	2007*
U.S.	0	0	U.S.	176,373	105,747
Other	0	0	Other		
	0	0	Canada	20,016	9,190
Total of other	0	0	Total of other	20,016	9,190
Other not listed	0	0	Other not listed	2	2
Grand Total	0	0	Grand Total	196,391	114,939

Meat, Swine					Units: Metric Tons
Exports to:	2006	2007*	Imports from:	2006	2007*
U.S.	6,600	6,601	U.S.	292,407	229,092
Other			Other		
Japan	36,989	41,445	Canada	24,689	23,735
So. Korea	1,477	1,494	Chile	4,328	2,361
Guatemala	0	0	Spain	0	0
Canada	0	10		0	0
Total of other	38,466	42,940	Total of other	29,016	26,096
Other not listed	0	19	Other not listed	0	1
Grand Total	45,066	49,560	Grand Total	321,423	255,189

Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition
Figures for meat are in product weight equivalent (PWE)
*As of October 2007.

Grass Fed Live Steer Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2006	2007	% Change
January	0.868	0.895	3.11
February	0.867	0.906	4.50
March	0.857	0.910	6.18
April	0.864	0.911	5.44
May	0.896	0.896	0
June	0.885	0.833	-5.88
July	0.885	0.833	-5.88
August	0.803	0.905	12.70
September	0.813	0.929	14.27
October	0.793	0.937	18.16
November	0.824	0.931	12.99
December	0.855	0.945	10.53

Source: National Market Information Service (SNIIM)

Beef Carcass Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2006	2007	% Change
January	1.34	1.36	1.49
February	1.34	1.32	(1.49)
March	1.34	1.33	(0.75)
April	1.33	1.34	0.75
May	1.34	1.35	0.75
June	1.33	1.35	1.50
July	1.33	1.36	2.26
August	1.27	1.34	5.51
September	1.27	1.34	5.51
October	1.31	1.35	3.05
November	1.31	1.36	3.82
December	1.35	1.34	(0.74)

Source: National Market Information Service (SNIIM)

Finished Live Hog Wholesale Prices in Mexico City
(US$/Lb.)

Month	2006	2007	% Change
January	0.679	0.579	(14.73)
February	0.670	0.579	(13.58)
March	0.650	0.575	(11.54)
April	0.642	0.546	(14.95)
May	0.616	0.534	(13.31)
June	0.596	0.579	(2.85)
July	0.627	0.627	0.00
August	0.629	0.662	5.25
September	0.620	0.664	7.10
October	0.606	0.650	7.26
November	0.544	0.609	11.95
December	0.579	0.619	6.91

Source: National Market Information Service (SNIIM)

Pork Carcass Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2006	2007	% Change
January	0.885	0.679	(23.28)
February	0.965	0.670	(30.57)
March	0.965	0.650	(32.64)
April	0.894	0.642	(28.19)
May	0.966	0.616	(36.23)
June	0.894	0.596	(33.33)
July	0.951	0.627	(34.06)
August	0.894	0.851	(4.81)
September	0.894	0.872	(2.46)
October	0.889	0.893	0.45
November	0.883	0.903	2.27
December	0.892	0.945	5.94

Source: National Market Information Service (SNIIM)

Cattle Slaughtered in Federally Inspected Type (TIF) Slaughterhouses

Total	2006	2007*	% Change
	1,794,374	1,821,648	1.52

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA
*Forecast data from Industry and SAGARPA for 2007

Cattle Slaughtered in Municipal Slaughterhouses

Total	2006	2007*	% Change
	2,533,478	2,574,971	1.64

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA
*Forecast data from Industry and SAGARPA for 2007

Cattle Slaughtered In-Situ Slaughtering Facilities

Total	2006	2007*	% Change
	2,170,000	2,200,000	1.38

NOTE: In-Situ slaughter is calculated
*Forecast data from Industry and SAGARPA for 2007

Total Cattle Slaughtered in Mexico

Total	2006	2007*	% Change
	6,497,852	6,596,619	1.52

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA
*Forecast data from Industry and SAGARPA for 2007

Hogs Slaughtered in Federal Inspected Type (TIF) Slaughterhouses

Total	2006	2007*	% Change
	5,175,695	5,201,500	0.5

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA
*Forecast data from Industry and SAGARPA for 2007

Hogs Slaughtered Municipal Slaughterhouses

Total	2006	2007*	% Change
	4,568,201	4,636,700	1.5

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA
*Forecast data from Industry and SAGARPA for 2007

Hogs Slaughtered In-Situ Slaughtering Facilities

Total	2006	2007*	% Change
	5,060,974	5,001,700	(1.1)

NOTE: In-Situ slaughter is calculated on basis of industry information
*Forecast data from Industry and SAGARPA for 2007

Total Hogs Slaughtered in Mexico

Total	2006	2007*	% Change
	14,804,870	14,839,900	0.2

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA
*Forecast data from Industry and SAGARPA for 2007

SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING

Production

Bovine/Beef

The CY 2008 cattle production forecast has been revised slightly downward from the previous estimate, though it is still about 3 percent higher than the 2007 level. Despite a larger calf crop and higher imports, total 2008 cattle inventories are still forecast slightly lower due to increased slaughter and greater cattle exports. Feedlot placements could decline in 2008 due to higher feed costs. Less than one-third of Mexico’s beef production comes from feedlot operations, which are most significantly affected by higher grain prices. Beef production for 2008 is forecast to increase only marginally over 2007 levels, reflecting dampened consumer demand resulting from higher prices.

Porcine/Pork

The 2008 pork meat production forecast remains at 1.25 MMT, which is about eight percent higher than the 2007 estimate. Although many producers have been impacted by higher feed costs, hog numbers are expected to continue growing in 2008. During CY 2007, improved productivity from larger vertically integrated operations brought swine inventories up from the previous year. Small backyard hog production is still a significant factor in the overall picture, as about one-third of Mexico’s pork production comes from farms with less than 20 animals. Smaller commercial enterprises (200 to 500 sows) account for more than 25 percent of total Mexican production. These producers are substantially impacted by rising corn prices and are the most vocal in pushing the Mexican government for assistance and restrictions on U.S. imports. The larger and more technically advanced producers (over 500 sows) represent over 40 percent of total production.

The grain price rally in the fall of 2006 led pork producers throughout North America, and the world, to opt to slaughter their inventory at the beginning of CY 2007, rather than pay the high cost of maintaining inventory levels. This slaughter rate was exacerbated in Mexico by government subsidies paid to pork producers for slaughtering. As a result, pork meat prices fell considerably this year, in Mexico and throughout the world. In fact, in Mexico, January 2007 prices were nearly 24 percent lower than December 2006 prices. This decline was not part of a natural price cycle resulting from high pork meat demand during the November and December holidays. Prices in Mexico have been, on average, 30 percent lower for the first seven month of CY 2007 than they were during the first seven months of CY 2006.

What the Mexican hog industry is facing is part of a larger global trend towards vertical integration and industry consolidation. Higher grain prices over the past year have forced many smaller and less efficient pork producers out of the market, leaving opportunities for larger operations to gain market share. In fact, the more sophisticated and well capitalized segment of the Mexican hog industry is performing rather well. Mexican hog production and slaughter rates are forecast to increase slightly in 2008 as lower prices and higher quality pork and pork products will stimulate demand.

Consumption

Bovine/Beef

Year-over-year beef consumption is expected to increase, though very slightly, and slower than the rate of population and income growth. Demand for beef is growing more rapidly among the middle and upper population segments, particularly in Mexico's larger cities where disposable income is higher. Higher read meat prices have significantly changed middle and lower income consumers' purchasing decisions. Demand from Mexico's HRI industry also remains strong.

Porcine/Pork

Mexico's pork consumption is expected to increase slightly, by roughly three percent, in 2008. Though pork consumption may be buoyed by low prices relative to other protein sources, consumer perception of pork meat remains the binding constraint to greater consumption growth. Many Mexican consumers believe that pork meat is unhealthy and unsanitary. Though this myth has been eroded somewhat in recent years, the perception persists for many middle and lower income consumers. The wider availability of pork cuts and pork products (hams, sausages, etc) in Mexico's growing retail industry has helped to drive up consumption. Additionally, government support programs for the slaughter and processing of hogs in federally inspected slaughterhouses (TIF) have spurred an increase in consumption of pork meat and processed meat such as hams.

Mexico's sausage companies continue to use imported U.S. pork variety meats because of their attractive prices and high quality. Furthermore, only a limited supply of pork meat is available from federally inspected slaughter facilities (TIF) in Mexico, thus forcing the processing industry to reply upon imported pork meat. Domestically produced sausages containing imported ingredients, as well as imported sausage, continue to find market niches in Mexico, particularly among mid and upper-income consumers.

Trade

Bovine/Beef

Imports of dairy cattle and beef are forecast upward very slightly from the previous year's figures. Trade sources estimate that total beef imports from the U.S. will include 90 percent boxed beef and 10 percent beef carcasses in CY 2008. Most of this beef will be rounds and chucks (70 percent), with the remainder comprised of high quality cuts (30 percent). Beef imports from the U.S. should continue to increase because of competitive prices and quality, while beef from most non-NAFTA countries is still subject to high import tariffs or health restrictions due to BSE and Foot and Mouth Disease.

Post anticipates that Mexico will import roughly 90,000 head of cattle in CY 2008, nearly 30 percent more than CY 2007. Nicaragua, New Zealand, and Australia remain the main suppliers of cattle to Mexico. Though U.S. exports to Mexico are increasing (in 2007 the U.S. exported 13,779), the U.S. is no where near pre-BSE cattle export levels, which were roughly 150,000 head in 2002.

Mexican cattle exports to the United States in 2007 are forecast to increase from post's previous estimate due to continued improvements controlling cattle tuberculosis and brucelosis by the Mexican government, and a slightly improved calf crop. Domestic feeder steer exports to the United States in CY 2007 have been revised slightly downward.

Porcine/Pork

Mexico remains a strong market for U.S. pork variety meats, lard, and greases. However, due to the domestic supply situation, pork imports for 2008 are forecast at 380,000 MT CWE, which is nearly 10 percent lower than the 2007 estimate. Given Mexico's population growth and relatively low per capita consumption, demand for U.S. hogs and pork products is expected to increase in the coming years.

Through December 2007, total U.S. hog exports to Mexico for CY 2007 were 125,000 head, 36 percent lower than imports for the same period in CY 2006. Post anticipates a 20 percent in increase in U.S. hog exports to Mexico in 2008.

Mexico's pork exports are forecast to increase by nearly 15 percent in 2008 to 80,000 MT. These exports demonstrate the ability of the well capitalized and sophisticated pork producers in Mexico to identify and serve global market demands, despite the structural reforms and economic hardships that are impacting smaller producers in Mexico. Most of these exports will be sent to Asian markets, and will command a premium for quality.

Policy

Bovine/Beef

U.S cattle exports to Mexico were banned following the detection of BSE in Washington State in 2003. In October 2006 the Mexican Ministry of Agriculture (SAGARPA) agreed to allow imports of U.S. dairy heifers. Though compliance with the dairy heifer protocol is onerous, U.S. exports to Mexico have increased in the past year. However, the trade is constrained by restrictions put in place in the protocol. Those restrictions include the stipulations that:

1) Only animals equal to or less than 24 months of age are eligible for export; and

2) Only animals originating from herds that have been registered by a purebred dairy breed association or by the Dairy Herd Improvement Association (DHIA) are eligible for export.

Following the designation of the U.S. as country with "controlled risk" for BSE, the U.S. is working with Mexican government officials to normalize the U.S.-Mexico cattle trade, in compliance with the World Organization for Animal Health (OIE) standards. Similarly, Mexico has taken no steps in recent years to re-open its market to bovine products. Below is a listing of approved and prohibited products.

Prohibited products:
Live cattle (except for dairy cattle under 24 months)
Boneless and bone-in meat from cattle 30 months of age or older
Bovine offal and viscera other than those currently authorized
Products derived from non-protein-free tallow
Gelatin and collagen prepared from bone
Ruminant meal
Ground beef

Permitted products:
Dairy Cattle
Tallow (human consumption)
Blood (human consumption)
Breeding bulls
Bone-in meat from cattle under 30 months of age
Boneless beef from cattle under 30 months of age
Marinated boneless beef from cattle under 30 months of age
Beef based preparations, beef/pork based preparations, beef/sheep based preparations and beef/pork/poultry based preparations
Veal boneless or bone-in
Hearts, kidneys, tongue and lips from cattle under 30 months of age
Diaphragm and trimmings from cattle under 30 months of age
Tripe from cattle under 30 months of age
Meat, carcasses, viscera, and heads from sheep under 12 months of age
Meat, carcasses, and viscera from goats under 12 months of age
Liver
Milk
Dairy products
Semen
Embryos
Protein-free tallow not fit for animal consumption
Dicalcium phosphate (DCP)
Skins and hides
Gelatin and collagen obtained from hides and skins
Pet Food (see MX4040 for more details)
Sausage made from beef and pork with or without cheese
Live sheep for immediate slaughter

Porcine/Pork

Over the past year the Mexican pork industry has been very vocal in its complaints about the imports of pork and pork products from the United States. Mexican pork producer associations claim that U.S. pork is sold in Mexico below the cost of production, and has severely damaged the domestic industry. A number of investigations have found that no such dumping has taken place, and that the Mexican pork industry does not have a factually supportable argument. However, the Mexican pork producers have spent considerable time and energy appealing to both the Mexican and U.S. governments for aid and assistance. The U.S. Government, and U.S. pork industry, have taken their repeated requests for assistance seriously, and have offered technical assistance on more than one occasion. However, the Mexican pork industry has rejected these offers, stating only that they desire to manage the trade by imposing protectionist policies.

Until this past fall the Mexican pork industry has been rather unsuccessful in convincing the Mexican government to champion its cause. However, on November 22, 2007, the Mexican pork industry successfully lobbied the lower house of Congress to adopt a non-binding resolution demanding that the Administration of President Felipe Calderon implement measure to restrict imports of U.S. pork. The resolution called on the Administration to:

1. Self-initiate a WTO safeguard proceeding against U.S. pork and pork products;
2. Use a constitutional provision that authorizes the President to enact unilateral restrictions on imported products in the event of an emergency;
3. Thoroughly monitor and inspect all pork and pork product imports at the border; and
4. Reject imports of any pork more than 30 days past the date of slaughter.

The Mexican government rejected Congress's call for a safeguard, citing the fact that such an action would be inconsistent with Mexican international trade obligations. However, the Calderon Administration did offer to implement the following policy initiatives, which favor the Mexican pork industry:

1. Establish mechanisms so that pork originating in CSF-free regions, or farms certified as free of CSF, can be slaughtered and processed, without incurring sanitary risks, in GOM approved plants;
2. Initiate an audit of U.S. plants authorized to export to Mexico, with the intent of delisting those establishments that merely store meat and reship pork products to Mexico;
3. Analyze the possibility of establishing a requirement permitting entrance of pork only from accredited processing plants, and limiting intermediate agents who do not have the infrastructure for storage, regardless of whether the originating plant is USDA certified; and
4. Reduce the number of ports of entry for pork products.

In the months leading up to this letter to Congress, the GOM was already passively restricting U.S. pork access by refusing to recognize new export-eligible plants. Since the declaration to Congress the GOM has taken active steps to restrict access for U.S pork. On December 10, 2007, the GOM closed 10 of the 18 ports of entry that had previously been authorized to accept pork and pork products.

As a result of these trade restricting actions, the U.S. and Mexican governments agreed to form a working group under the Consultative Committee on Agriculture (CCA). The objective of this group is to address livestock and meat product issues that impact both countries.

Marketing

Bovine/Beef

Imports of breeding dairy cattle and animal genetic products into Mexico are normally performed directly by dairy cattle producers, medium and large dairy owners, distributors, and government institutions. In some cases, Mexican cattle buyers receive financial assistance from government-funded programs (PROGAN) to purchase animals of high quality genetics. Participation in major national and state livestock shows may provide opportunities for sales of U.S. livestock genetics to Mexican livestock producers.

Marketing promotion programs for U.S. red meats through the U.S. Meat Export Federation (USMEF) office in Mexico City enable exporters to access niche markets for U.S. products in the hotel and restaurant trade, and other sectors. Prospects exist in the short and medium terms for increased meat sales fueled by Mexico's population growth and insufficient domestic production. The development of supermarket chain stores, fast food restaurants and the tourist sector all present opportunities for market growth.

Porcine/Pork

Pork in the retail sector tends to be purchased by consumers in traditional Mexican markets where most butcher shops are located. However, consumers are increasingly buying meat products and special cuts at supermarkets that cater to consumers from the higher socioeconomic classes. Additionally, discount warehouse stores are making shopping at supermarkets more accessible to average consumers.

U.S. livestock, beef and pork exporters, new to the Mexican market, are also encouraged to contact the following trade organizations for further market information.

TRADE ORGANIZATIONS
THE U.S. AGRICULTURAL TRADE OFFICE (ATO) LIVERPOOL NO.31 06000 MEXICO, D.F. PH. (525) 5140-2614, 5140-2671; FAX (525) 5535-8557 VALERIE BROWN JONES, DIRECTOR (ACTING)
U.S. MEAT EXPORT FEDERATION (USMEF) JAIME BALMES NO. 8, SUITE 602, 6th. FLOOR 11510 MEXICO D.F. PH. (525) 5281-6100; FAX (525) 5281-6013 CHAD RUSSELL, REGIONAL DIRECTOR
CONFEDERACION NACIONAL DE ORGANIZACIONES GANADERAS (CNOG) MARIANO ESCOBEDO NO. 714 COL. ANZURES MEXICO, D.F. 11590 PH. (525) 5254-3245; FAX (525) 5254-2574 OSWALDO CHAZARO, PRESIDENT
CONSEJO NACIONAL DE PORCICULTORES (CMP) JUAN DE LA BARRERA NO. 38 COL. CONDESA 06140 MEXICO, D.F. PH. (525) 5212-1290, FAX. (525) 5211-1379 ENRIQUE DOMINGUEZ, GENERAL DIRECTOR